

## SIEMENS

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## ORIGINAL

## ORIGINAL RECEIVED

NOV - 1 2002

November 1, 2002

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ms. Marlene Dortch, Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

**EX PARTE OR LATE FILED**

Re: Ex Parte Notice in CC Docket Nos. 01-338, 96-98 and 98-147

Dear Ms. Dortch:

This letter is to provide notice in the above-captioned proceedings of an ex parte meeting on October 31, 2002 by Perry Kamel, Executive Vice President, Strategy and Marketing, Siemens Information Carrier Network and Mark Esherick, Director of Government Relations, Siemens Corporation with Jeffrey Carlisle, Aaron Goldberger, Robert Tanner, Scott Bergmann and Sam Feder. The purpose of the meetings were to discuss the attached presentation, which is being filed in the dockets listed above.

Siemens made two major points during the meetings. In order to accelerate the return to innovation, growth and prosperity, to the benefit of end-users, the industry and the overall economy, policies must address the root economic challenges and causes of the current circumstances by enabling accelerated migration to new, converged broadband network infrastructures that are optimized for the new environment. Current federal and state unbundling and pricing rules impede investment in critically need new convergent infrastructures.

Pursuant to Section 1.1206 of the FCC's rules, this notice and the meeting presentation are being for inclusion in the public record of each of these proceedings. If you have any questions, please contact me.

Sincerely,

Mark Esherick  
Director of Government Affairs

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EX 441618

Information  
and Communication  
Networks

# Transforming Telecom (The Case for Convergence)

**Perry Kamel**  
*Executive Vice President, Marketing*  
**Siemens ICN U.S.**

## Getting From Here to There

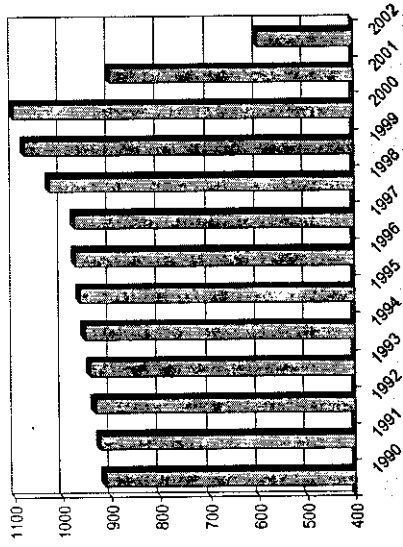
- Why is the telecom industry in turmoil?

➤ Root causes & consequences

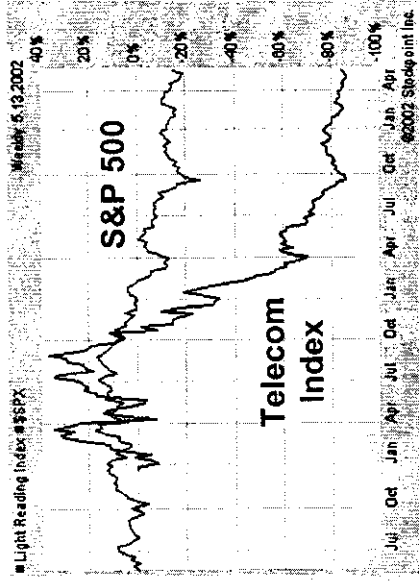
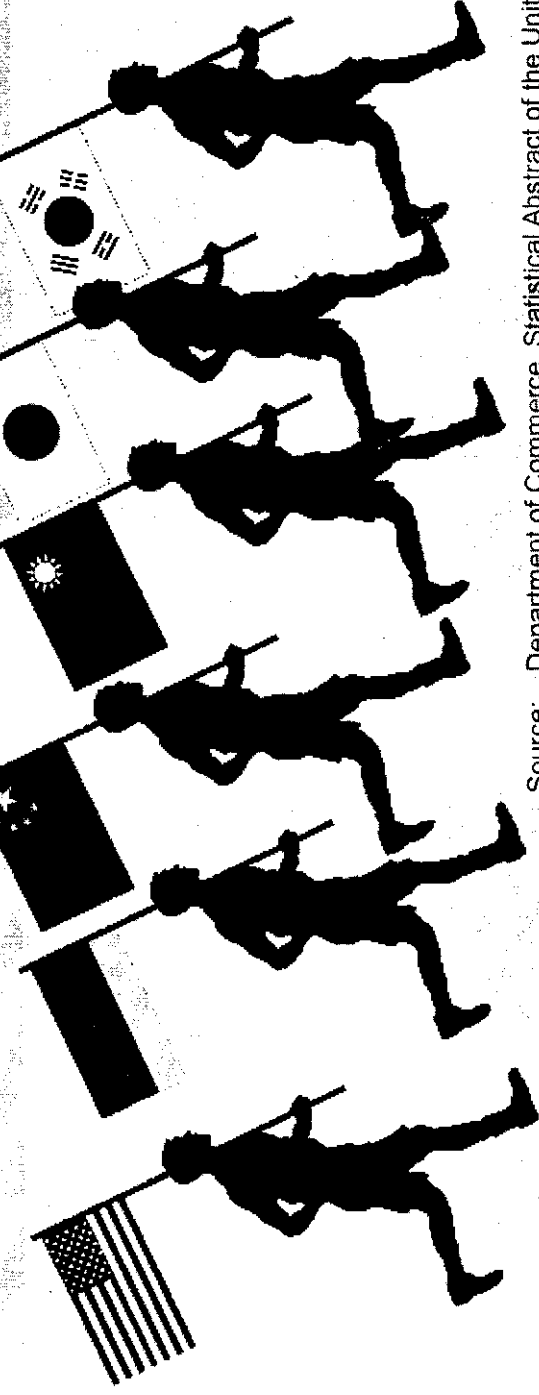
- What will it take to get it back on track?

➤ Why Telecom's convergence is imperative

# The U.S. Telecom Industry is Facing Extraordinary Challenges



30% less than before boom



2 Trillion lost

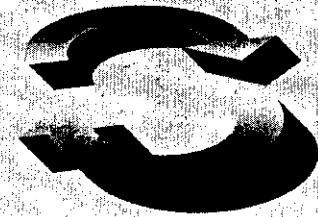
Source: Department of Commerce, Statistical Abstract of the United States, September 1998 and 2002 Update; LightReading, May 2002; Stockpoint, Inc.

## Many Theories ... "Survey Says"

*(Weighted Responses By Industry Analysts & Telecom Professionals)*

- # 1: Lack of Revenue Growth – (4)
- # 2: Carrier Capex Constraints – (8)
- # 3: Regulatory Obstacles – (14)
- # 4: Diminishing Returns on Carrier Capex – (14)
- # 5: Second Line Substitution w/ Cable & Wireless – (20)
- # 6: Diminished Carrier Resources (e.g., Employees) – (21)
- # 7: Economic Recession (Reduced End-User Spending) – (23)
- # 8: Falling LD Rates w/ Increased Volumes – (27)
- # 9: PSTN Bypass Stranding Investments – (28)
- #10: Big Email Attachments w/ No Related Revenue – (29)

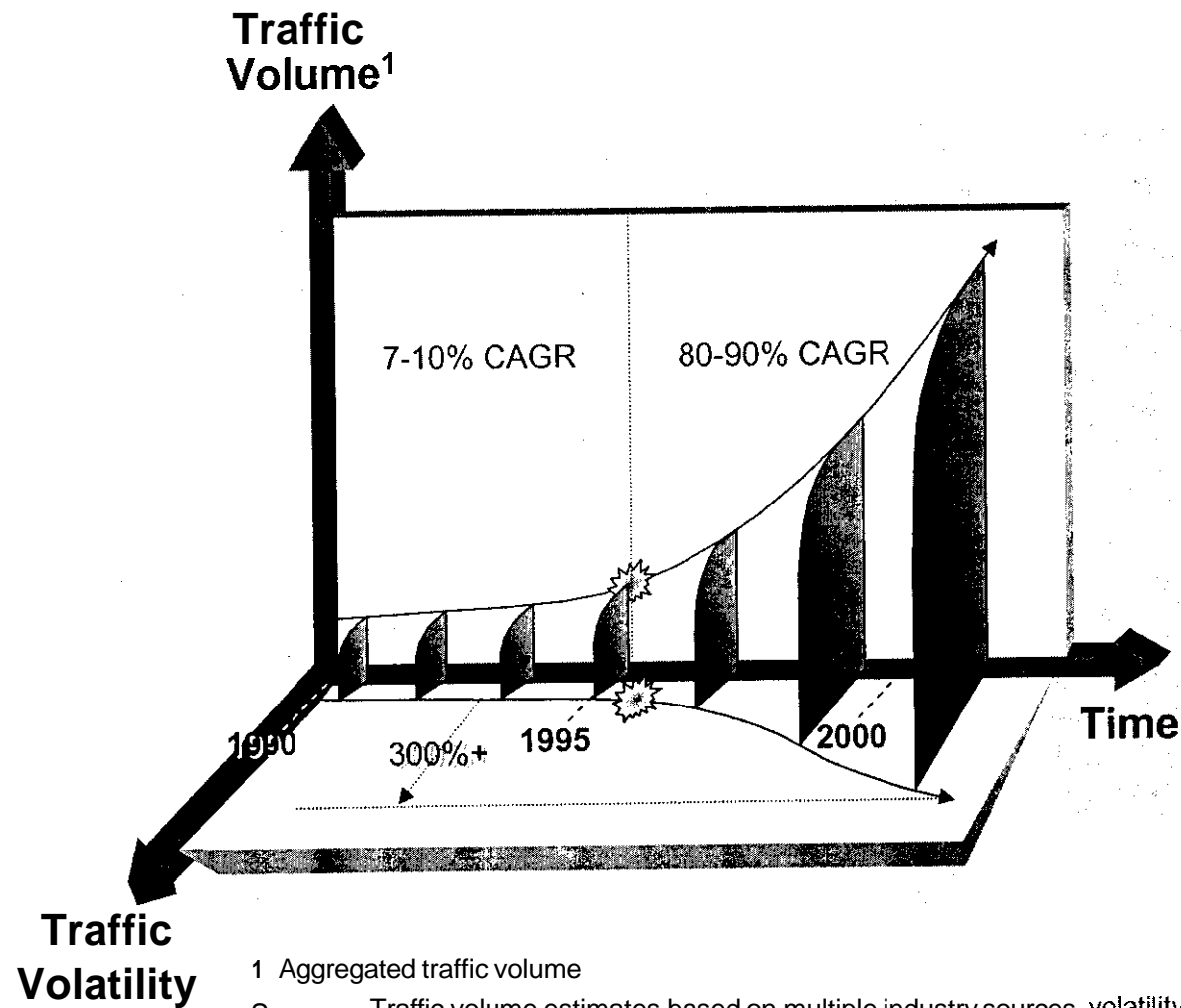
Cause?



Effect?



# Boiling Things Down to the Root Causes...



1 Aggregated traffic volume

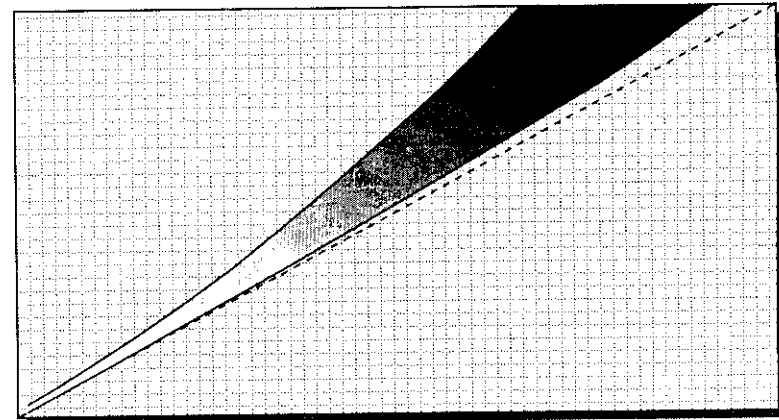
Source: Traffic volume estimates based on multiple industry sources, volatility estimates based on customer interviews and network studies in North America and Europe

# The Scalability Challenge:

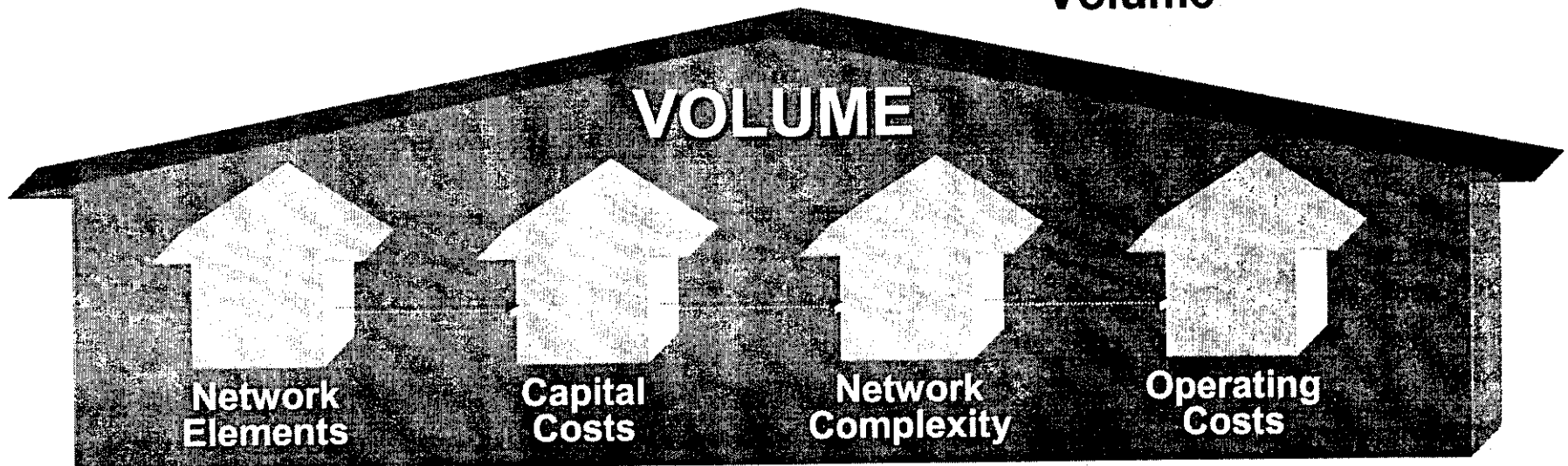
Traditional approaches weren't designed for rapid traffic growth



Network  
Elements

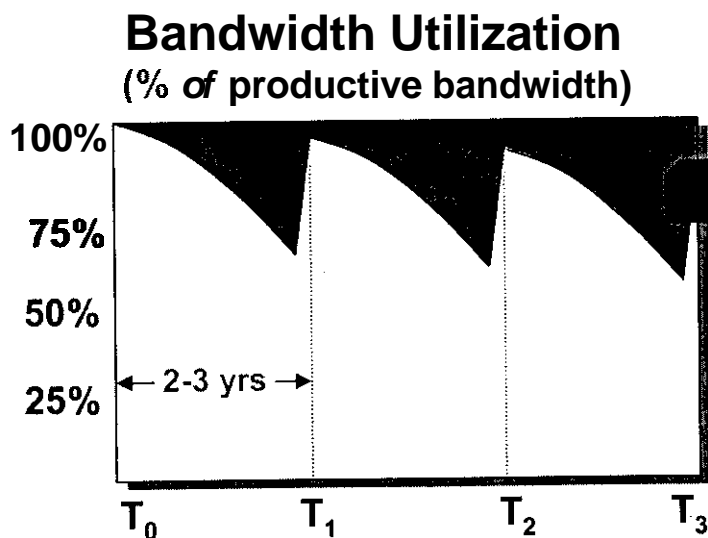


Traffic  
Volume



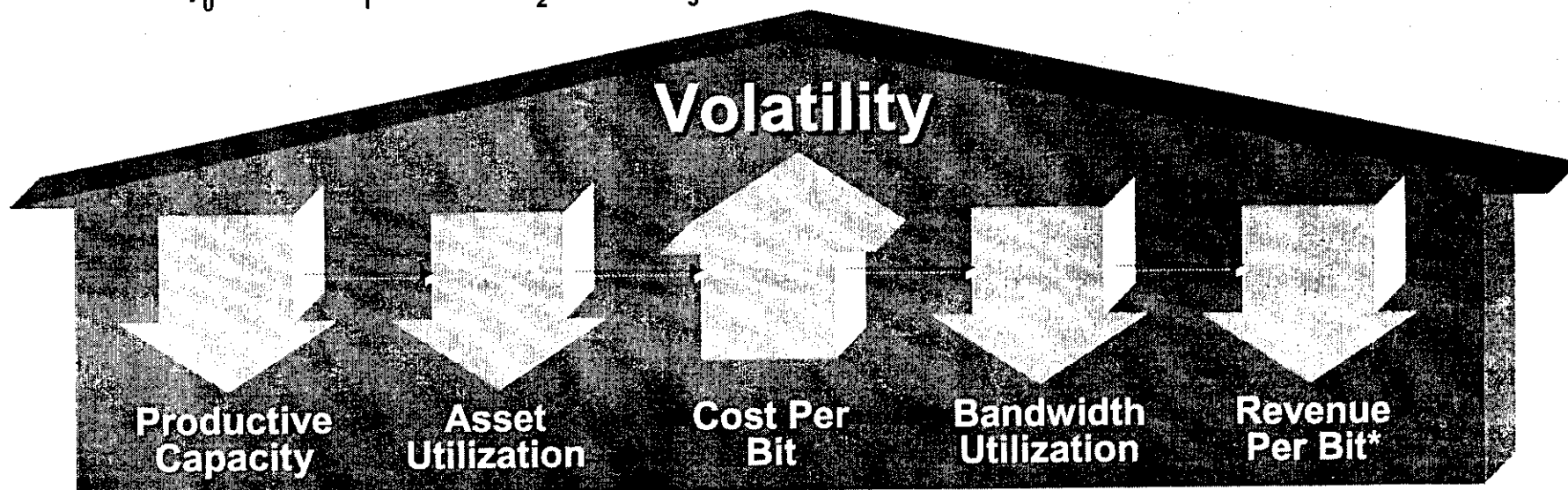


# The Volatility Challenge:

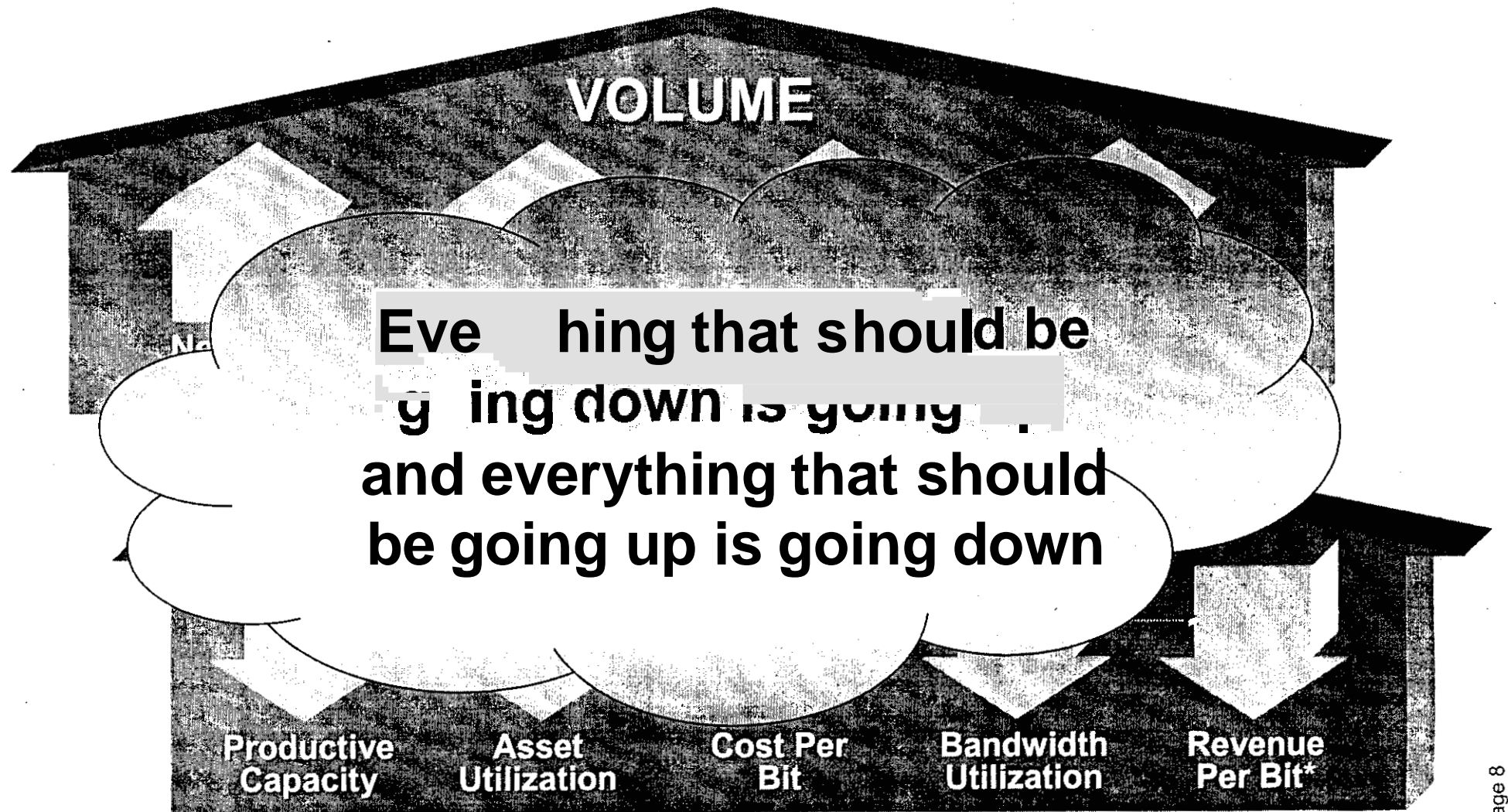


## Stranded Bandwidth

- Up to 20-30% can be stranded w/in 2-3 years
- Reoptimizations are costly, time consuming and potentially risky



## Compounded Economic Challenge

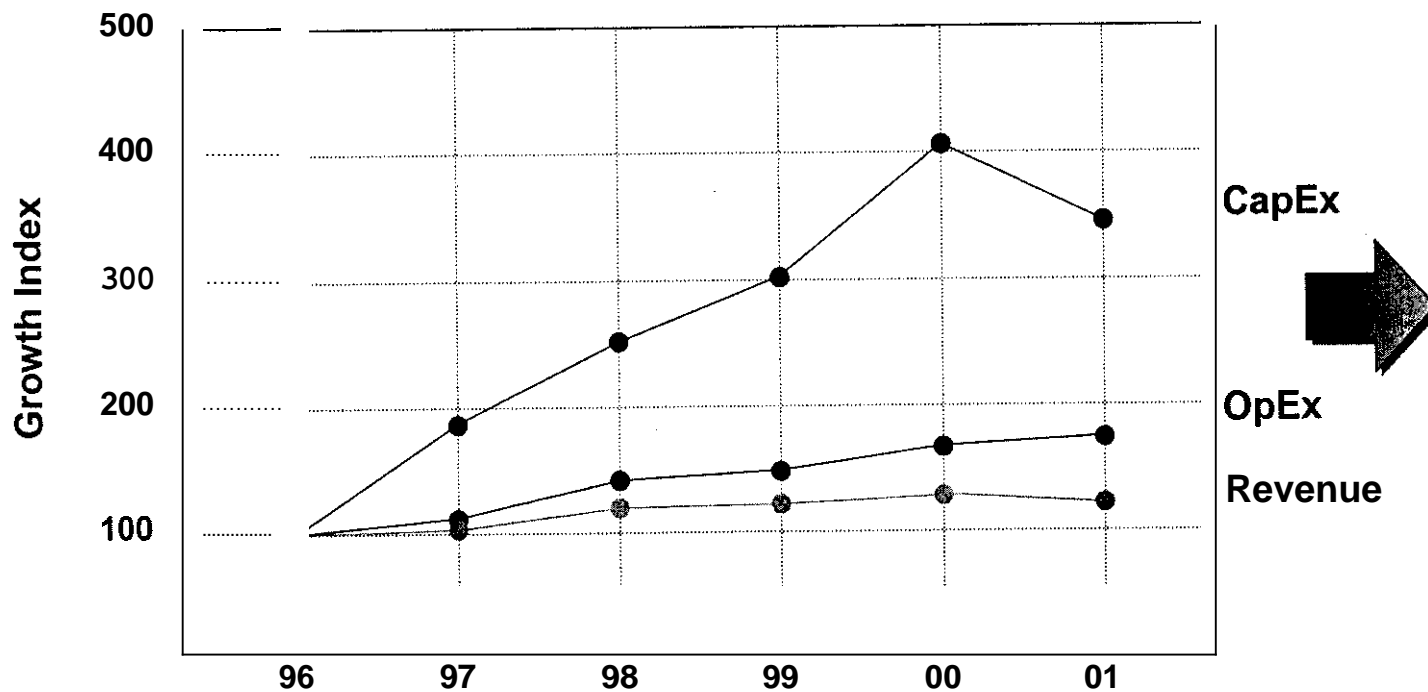


\*Revenue per bit deployed

# Real-World Consequences

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## Indexed Growth of Key Financial Metrics (Top U.S. Facilities-Based Carriers)



CapEx

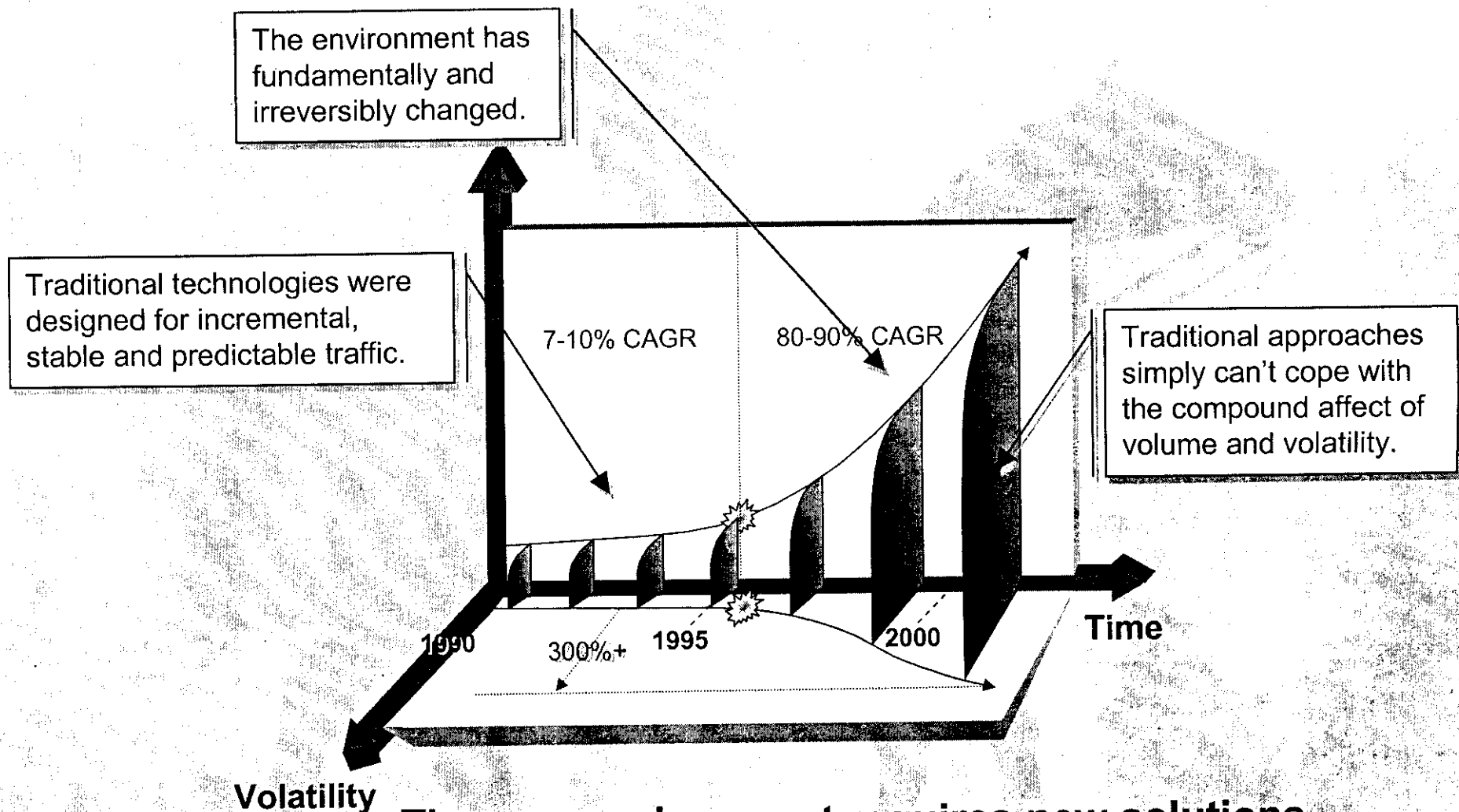
OpEx

Revenue

**Scaling  
inappropriate  
technologies  
turned business  
models upside-  
down**

\* Facilities based IXC used in this example –similar characteristics observed for top ILECs  
Source: Jeffries & Company, Inc. Equity Research (04/02), Merrill Lynch (11/01),  
corporate financial reports; Siemens Strategic Marketing Alliance Team

## Text-Book Paradigm Shift



**The new environment requires new solutions.  
Conurgence is an economic imperative.**

## Getting From Here to There

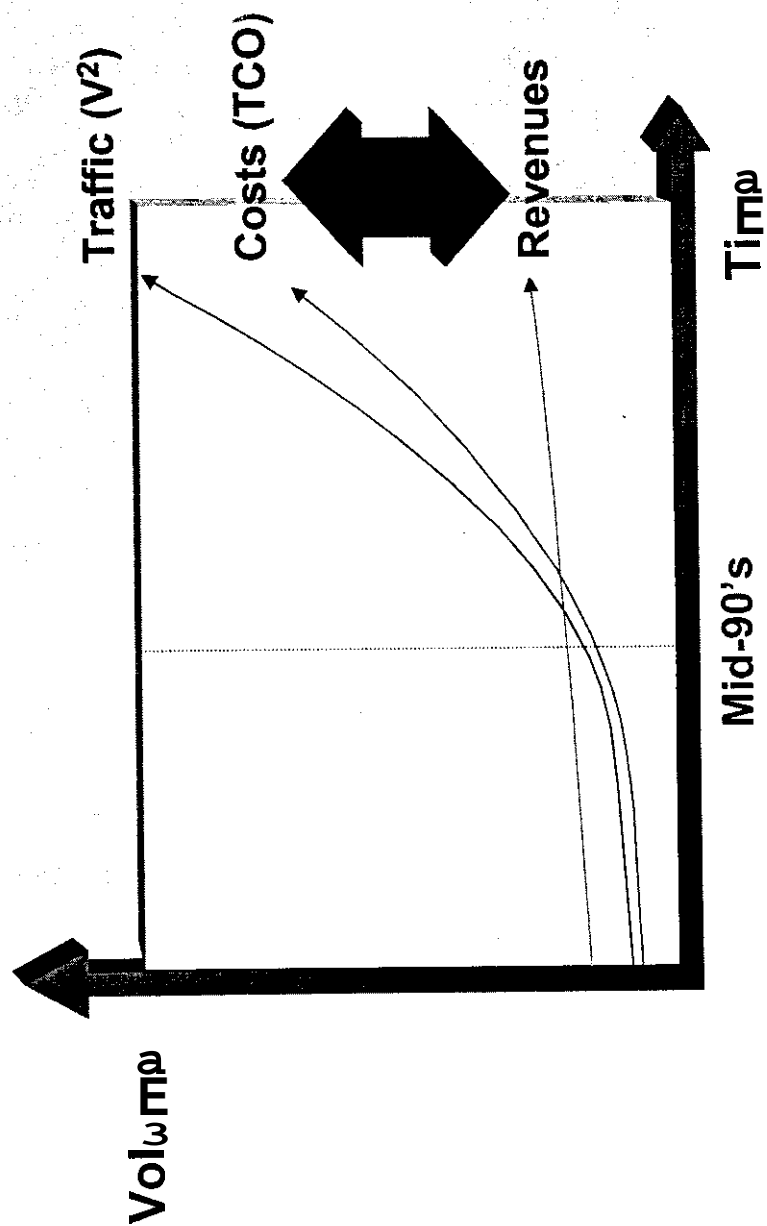
- **Why is the telecom industry in turmoil?**

 *Root causes & consequences*

- **What will it take to get it back on track?**

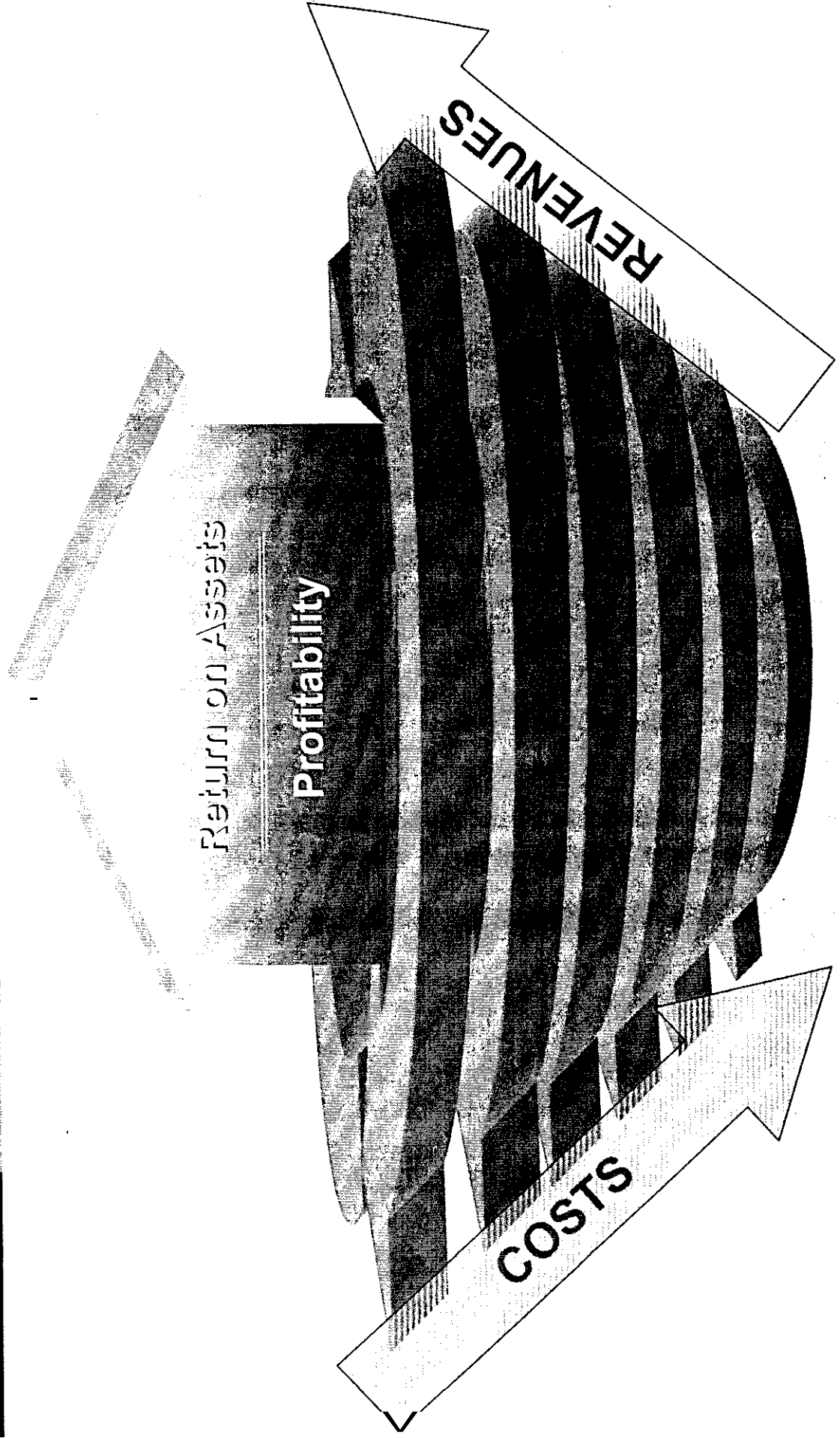
 *Why “True” convergence is imperative*

# The Profitability Gap



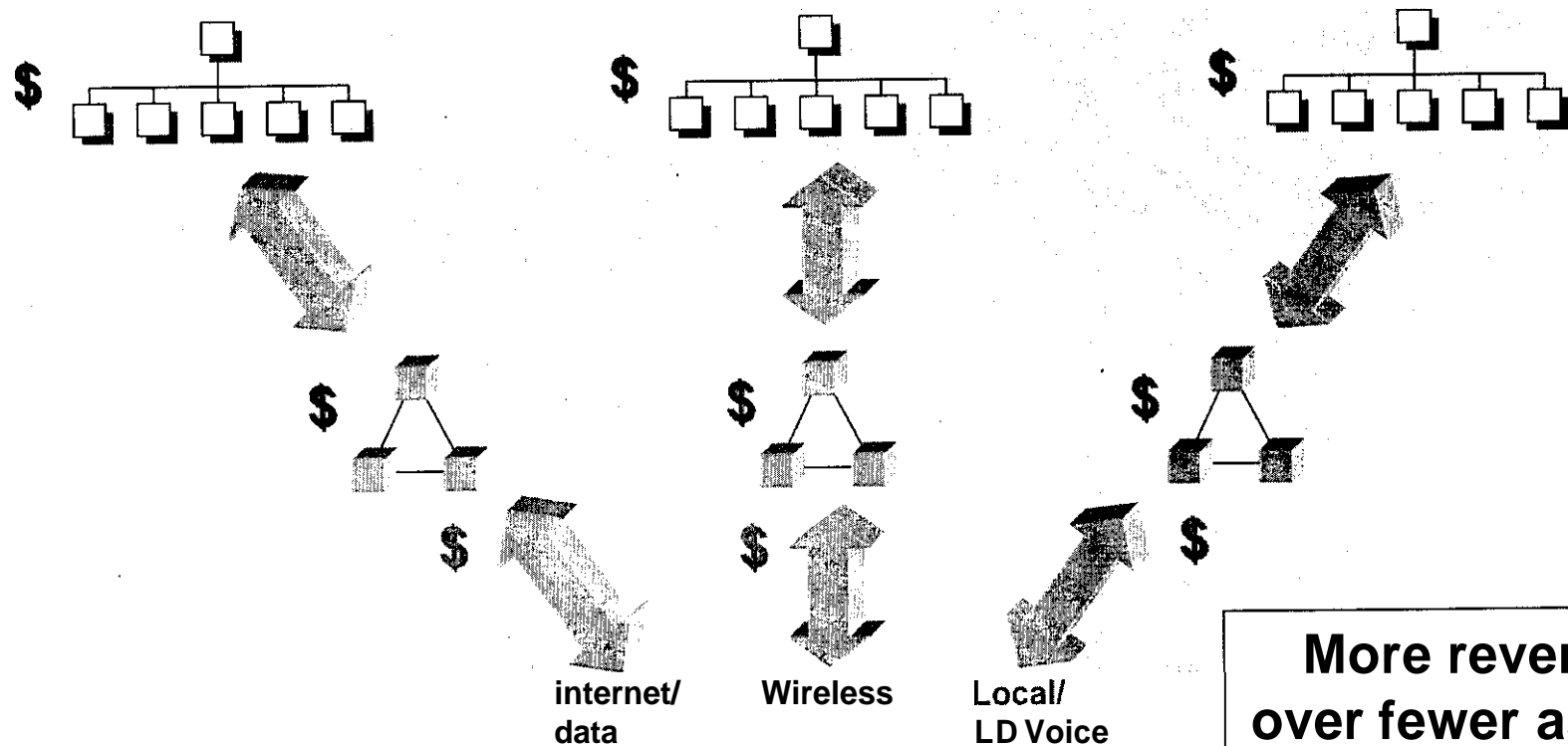


## Closing the Profitability Gap



# Controlling Costs: Achieving TRUE Convergence is Critical

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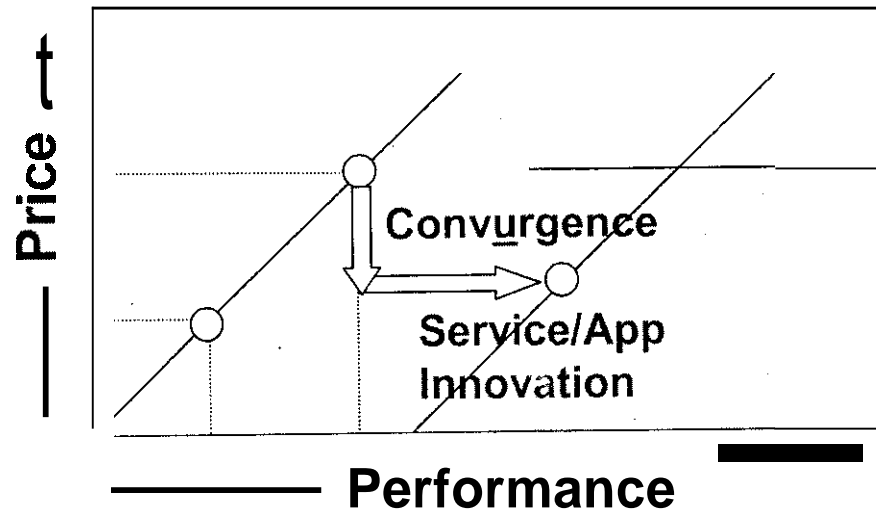
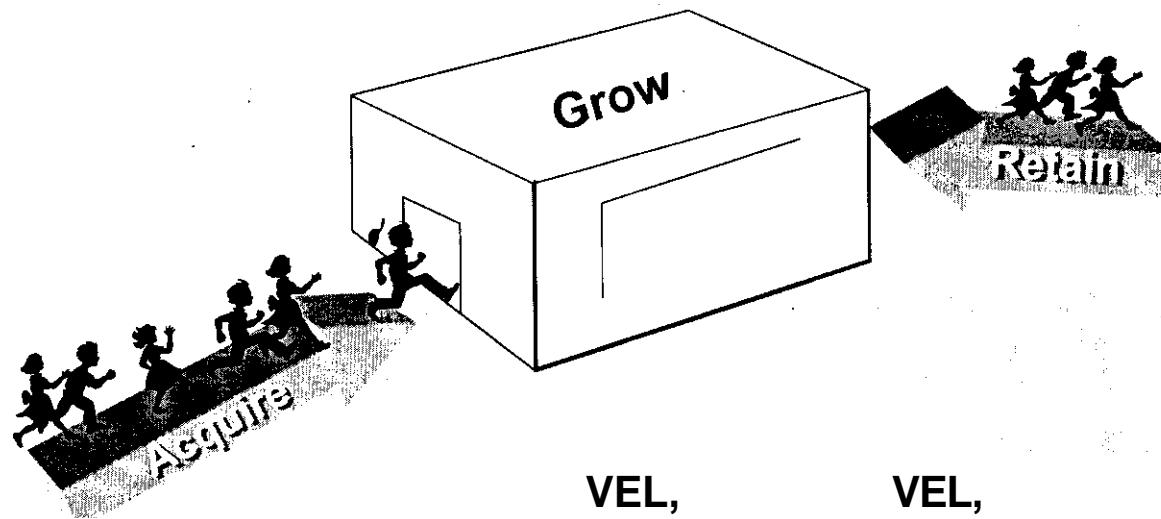
**More revenue  
over fewer assets  
with streamlined  
cost model**





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**Growing Revenue = Cost Reduction + Innovation**



**Fundamental Shift**



**New Challenges**



**New Solutions**



**New Competitors**

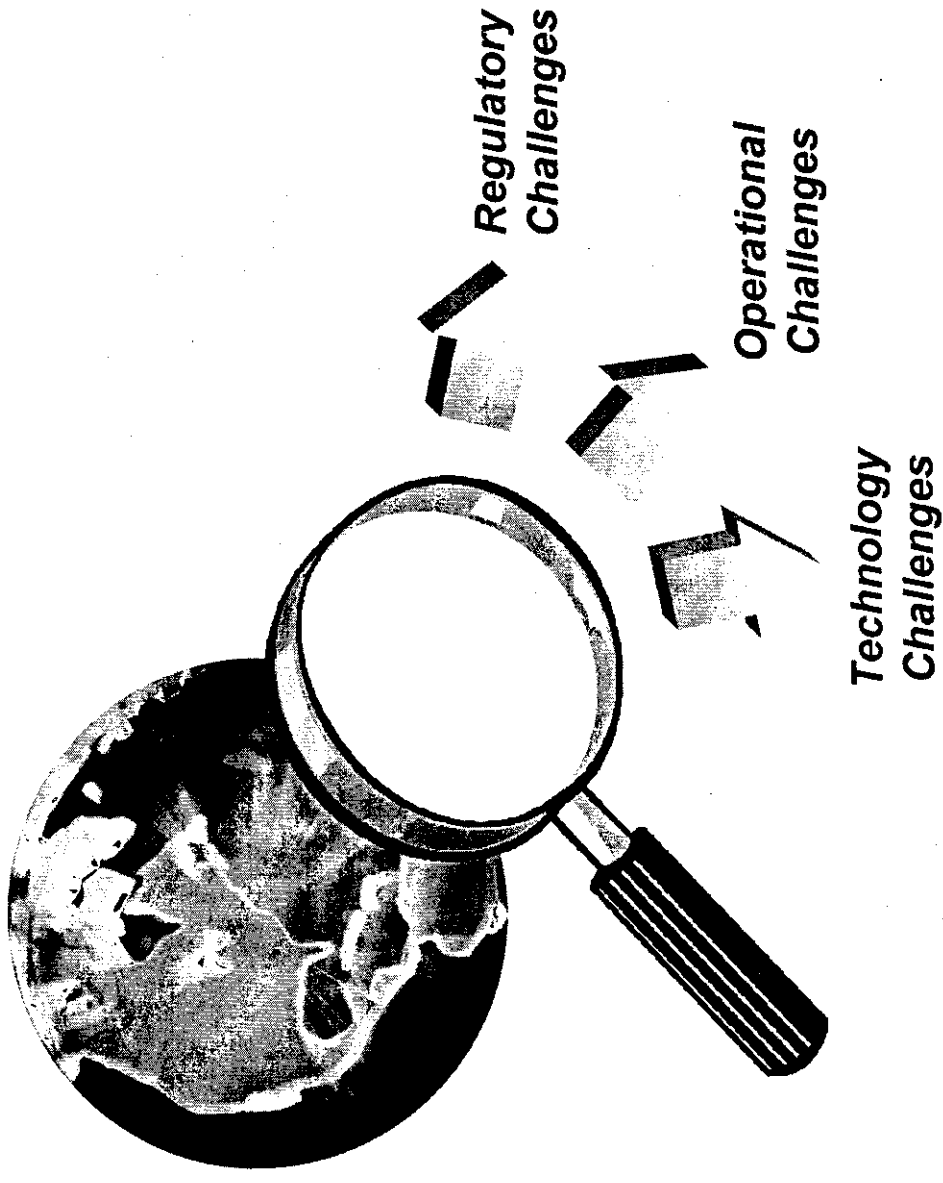


**New Imperatives**

**A decision not to  
migrate is a decision  
not to compete**

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**Getting There Requires a Comprehensive  
and Balanced Approach**



## Regulatory Principles

**In order to accelerate return to innovation, growth and prosperity, to the benefit of end-users, the industry and the overall economy...**

- Policies must address the root economic challenges and causes of our current circumstances by enabling accelerated migration to new, converged broadband network infrastructures that are optimized for the new environment.
  - Current federal and state unbundling and pricing rules impede investment in critically needed new convergent infrastructures
  - Swift action to eliminate regulatory uncertainty should be a top FCC priority to enable decisive action by key industry participants
- Policies should focus on enabling true competition with an emphasis on accelerating the deployment of advanced communications facilities.